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The Court concluded that the taxpayer's testimony "was focused on plausibility and not reality." It ruled that she was not entitled to any charitable contribution deduction.

The IRS imposed a penalty in the amount of 20 percent of the taxpayer's total tax liability as a result of her understatement of income tax. Section 6662 of the tax code empowers the IRS to assess the 20-percent penalty if an understatement of tax is more than the greater of \$5,000 or 10 percent of the amount required to be shown on the tax return. The Court affirmed the imposition of this tax, since the taxpayer had understated her tax liability by more than \$5,000. *Woodard v. Commissioner, T.C. Summary Opinion 2008-45.*

RESOURCE. *Need help complying with the substantiation rules that apply to charitable contributions? They are addressed fully, with several examples, in chapter 8 of Richard Hammar's 2008 Church & Clergy Tax Guide. To order, call 1-800-222-1840.*

IRS REMINDS CHARITIES TO AVOID POLITICAL ACTIVITIES

The Internal Revenue Service announced its Political Activities Compliance Initiative (PACI) once again will be in effect for the 2008 election season. The PACI program seeks to educate churches and other public charities about the federal law concerning political campaign activity and to enforce the law in this area.

Churches and other charities exempt from tax under section 501(c)(3) of the tax code may not "participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office."

"We take very seriously our obligation to ensure that tax-exempt organizations have the information they need to make

the right decisions about political campaign activities," said Steven T. Miller, Commissioner of the IRS Tax Exempt and Government Entities Division. "The vast majority of organizations want to do the right thing, and as in past years, we will continue our efforts to make sure they have the information they need."

The prohibition against political campaign activity has been in effect for more than half a century and bars certain tax-exempt organizations from intervening on behalf of or in opposition to political candidates. However, these organizations can engage in advocating for or against issues and, to a limited extent, ballot initiatives or other legislative activities. *IRS News Release IR-2008-61.*

PERMITTED POLITICAL CAMPAIGN ACTIVITIES BY CHURCHES

An analysis of selected activities

CAMPAIGN ACTIVITY	IMPACT ON TAX-EXEMPT STATUS	BASIS
Providing a forum for all candidates to address the church	permitted	IRS Tax Guide for Churches
Public comments made by ministers and other church employees in connection with political campaigns, not made at church facilities or in church publications and accompanied by statement that the comments are strictly personal and are not intended to represent the church	permitted	IRS Tax Guide for Churches, Jimmy Swaggart settlement with IRS, Revenue Ruling 2007-41
A church invites all candidates for a political office to address the congregation and informs the congregation before each candidate's speech that the views expressed are those of the candidate and not the church and that the church does not endorse any candidate	permitted	Revenue Ruling 74-574, IRS Tax Guide for Churches
A church provides an opportunity for a candidate to speak in a non-candidate capacity (for example, as a member of the church, public figure, or expert in a non-political field), without providing equal access to all political candidates for the same office. The church ensures that the candidate speaks in a non-candidate capacity, no reference is made to the person's candidacy, the church mentions the capacity in which the candidate is appearing (without mentioning the person's political candidacy), and no campaign activity occurs	permitted	IRS Tax Guide for Churches
A church distributes a compilation of voting records of all members of Congress on major legislative issues involving a wide range of subjects, the publication contains no editorial opinion and its contents and structure do not imply approval or disapproval of any members or their voting records	permitted	Revenue Ruling 78-248
Neutral voter registration drives	permitted	11 C.F.R. § 111.4(c)(4)